
e-Kong Group Limited

Annual Report

1999

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Corporate Information

BOARD OF DIRECTORS

Executive

Mr. Richard John Siemens (*Chairman*)
Mr. Ong Soon Kiat
Mr. Derrick Francis Bulawa
Mr. Lim Shyang Guey

Non-executive

Mr. Mokhzani Bin Mahathir
Mr. Peng Chian Chua

Independent non-executive

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

AUDIT COMMITTEE

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

COMPANY SECRETARY

Ms. Wang Poey Foon, Angela

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Suite 2101-3
K. Wah Centre
191 Java Road
North Point
Hong Kong

SOLICITORS

Messrs. Angela Wang & Co.
Messrs. Conyers, Dill & Pearman

AUDITORS

Moore Rowland

HONG KONG BRANCH REGISTRARS

Secretaries Limited

PRINCIPAL BANKERS

Bank of China
The Hongkong and Shanghai Banking
Corporation Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of e-Kong Group Limited (the "Company") will be held at Coral Room 2, 3rd Floor, Furama Hotel, 1 Connaught Road, Central, Hong Kong, on Thursday, 1 June 2000 at 2:30 p.m. for the following purposes:

1. to receive and consider the audited financial statements and the reports of directors and auditors for the year ended 31 December 1999;
2. to re-elect retiring directors and to fix their remuneration;
3. to re-appoint Messrs. Moores Rowland as auditors of the Company and to authorise the board of directors to fix their remuneration;
4. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

Notice of Annual General Meeting (Cont'd)

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held."

5. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) an issue of shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, (iii) the exercise of redemption or conversion rights attaching to the non-cumulative convertible redeemable preference shares of HK\$1.00 each in the capital of the Company or (iv) an issue of shares as scrip dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

Notice of Annual General Meeting (Cont'd)

- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

- 6. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT conditional upon the Resolution No. (4) and (5) set out in the notice convening this meeting being passed, the aggregate nominal amount of the number of shares which are repurchased by the Company after the date of passing of this Resolution (up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution No. (5) set out in the notice convening this Meeting."

- 7. to transact any other business.

By Order of the Board

Wang Poey Foon, Angela
Company Secretary

Hong Kong, 19 April 2000

Notice of Annual General Meeting (Cont'd)

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. A member may appoint a proxy in respect of part only of his holding of shares. A proxy need not be a member of the Company.
2. In case of joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, whether in person or by proxy, that one of such persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy completed in accordance with the instructions set out herein, together with a power of attorney, if any, under which it is signed, or a notarially certified copy thereof, must be deposited at the Hong Kong Branch Registrars of the Company, Secretaries Limited, of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting. The completion and depositing of the form of proxy will not preclude the member from attending the meeting and voting in person, if he/she so wishes. In the event that a member attends the meeting, his form of proxy will be deemed to have been revoked.
4. An explanatory statement containing further details regarding Resolutions 4 to 6 above will be sent to shareholders.
5. The register of members of the Company will be closed from 26 May 2000 to 1 June 2000, both days inclusive, during which period no transfer of shares will be effected.

In order to determine entitlement to attend and vote at the annual general meeting, all transfer of shares accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrars, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration by not later than 4:00 p.m. on 25 May 2000.

Chairman's Statement

It is my pleasure to deliver my first report to you. I assumed the position of Chairman of the Board in January 2000, and have since spent substantial amount of my time with other board members in formulating the Group's direction and strategy for future expansion. Our challenge was to transform the Group into a more diversified enterprise with an emphasis on Internet-related businesses.

The Group has been through a period of transition in 1999. During the year, its existing business continued to suffer from sluggish market conditions and adverse economic environment in Asia. The Group implemented a series of proactive measures with an aim to reallocate its resources and to enable the management to focus more on higher growth Internet-related business. Accordingly, the Group has disposed of its interest in most of its non-performing investments. The disposal and provision resulted in a loss of HK\$65 million, which accounted for most of the loss recorded in 1999.

Turnover of the Group had been affected by a decline in sales of one of our subsidiaries, Colorland Animation Productions Limited, an animation production house in Shenzhen. The production house's profitability had been put under the pressure of accelerated competition and increasingly challenging market environment.

In the past few months, substantial management resources have been placed in creating or acquiring industry convergent service portals, establishing partnerships with companies targeting the Asian Internet market, and making strategic investments in technologies, contents or service providers that can complement the Group's business.

Our mission in the Internet market is to develop a series of clearly branded, scalable and globally portable e-commerce and service portals offering a single point-of-presence for products and services. We aim to remove market barriers of traditional business by creating a business-to-business (B2B) and mass market e-commerce platform on the Internet. Through us, on-line customers can have immediate access to many offerings across a particular sector and they can pick and mix products and services to suit their needs.

We have completed a number of investments between December 1999 and March 2000. These investments were of strategic significance for the Group's continued growth and enhancement of shareholders' value.

The Group has successfully launched a unique service portal, ZONE1511 in March 2000, which is scalable and portable. ZONE1511 offers its users a wide range of local and international IDD carriers at a single source, and enabling the users to select the most competitive prices for their IDD calls.

Chairman's Statement (Cont'd)

The Group's service portals do not rely purely on creative concepts, they are supported by practical business models, feasible real-world operations, existing market demands and real revenue stream. We expect these service portals will bring in substantial revenue for the year 2000.

In 2000, we will launch a number of new service portals targeting different industries, including the insurance and travel service.

In less than six months, the Group's new management has successfully developed a solid business framework, and has established the Group as a prominent Hong Kong-based Internet company with an Asian focus.

In the world of Internet, it is the people that counts for the success of one's business. The management has built up, within a relatively short period of time, a pool of multi-national talents with proven experience and in-depth knowledge in the Internet and information technology industries. The team of experts has become the major driving force behind the Group's rapid expansion and achievements.

We will capitalize on our strengthened cash position (no debt-gearing) and talented management team to enlarge our market share and scale of operations, both through organic expansion and equity acquisition.

Our focus on developing a range of service portals with mass appeal, our partnership with other Internet and technology companies, and our strategic investment in technology, contents and service providers, form an inter-related and balanced business portfolio enabling the Group to benefit from stable recurrent income from a large definable revenue stream, and to leverage on its strategic investment for substantial capital gain. I am, therefore, optimistic about the future prospects of the Group.

Richard John Siemens
Chairman

Hong Kong, 19 April 2000

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 1999.

CHANGE OF NAME

Pursuant to a Special Resolution passed on 10 December 1999 and the approval of the Registrar of Companies of Bermuda on the even date, the name of the Company was changed from Goldtron Holdings Limited to e-Kong Group Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 11 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating loss by principal activities and geographical locations for the year ended 31 December 1999 is as follows:

By activity:

	Turnover HK\$'000	Contribution to operating loss HK\$'000
Sales of animated films	44,210	6,537
Telecommunication services	1,035	(985)
	<u>45,245</u>	<u>5,552</u>
Add: Interest and investments income		1,493
Less: Other operating expenses		<u>(82,215)</u>
Loss before taxation		<u>(75,170)</u>

Report of the Directors (Cont'd)

SEGMENTAL INFORMATION (Cont'd)

By geographical area:

	Turnover HK\$'000	Contribution to operating loss HK\$'000
Hong Kong	1,035	(985)
North/South America	759	131
Europe	31,094	4,576
Australia	12,357	1,830
	<u>45,245</u>	<u>5,552</u>
Add: Interest and investments income		1,493
Less: Other operating expenses		<u>(82,215)</u>
Loss before taxation		<u>(75,170)</u>

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 1999 are set out in the Consolidated Income Statement on page 20.

The directors do not recommend the payment of dividends for the year ended 31 December 1999 (1998: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 51 and 52.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 69% (1998: 48%) and 98% (1998: 95%) of the Group's total reported revenue were attributable to the largest customer and five largest customers respectively. At no time during the year have the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest customers.

The percentage of the Group's total expenditure on purchases of goods and services attributable to the Group's five largest suppliers was less than 5% during the year.

Report of the Directors (Cont'd)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group are set out in note 10 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 21 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Richard John Siemens (Chairman)	(Appointed on 24 January 2000)
Mr. Ong Soon Kiat	
Mr. Derrick Francis Bulawa	(Appointed on 22 October 1999)
Mr. Lim Shyang Guey	(Appointed on 1 October 1999)
Mr. Tan Siak Kwang, Frankie	(resigned on 15 June 1999)

Non-executive directors:

Mr. Mokhzani Bin Mahathir	
Mr. Peng Chian Chua	
Dato Jaffar Mohd Ali	(resigned on 30 August 1999)

Independent non-executive directors:

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

In accordance with the Bye-laws of the Company, Mr Ong Soon Kiat, Mr. Derrick Francis Bulawa and Mr. Lim Shyang Guey shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Report of the Directors (Cont'd)

DIRECTORS' INTERESTS IN SHARES

As at 31 December 1999, the directors had the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code")) as recorded in the register maintained pursuant to section 29 of the SDI Ordinance:

Name of directors	Number of shares beneficially held		Number of share options
	Personal interest	Corporate interest	
Ong Soon Kiat	5,000,000	—	9,168,988 (note 1)
Derrick Francis Bulawa	—	—	28,961,235 (note 2)
Lim Shyang Guey	—	—	4,500,000 (note 3)

Notes:

1. 9,168,988 share options have been granted under the Employee Share Option Scheme of the Company which are exercisable at the exercise price of HK\$0.42 per share over the period ending 24 October 2009.
2. 28,961,235 share options have been granted under the Employee Share Option Scheme of the Company during the year, in which 23,961,235 share options are exercisable at the exercise price of HK\$0.42 per share for the period from 25 October 2000 to 24 October 2009; in which 4,750,000 share options are exercisable at the exercise price of HK\$0.49 per share for the period from 16 November 2000 to 24 October 2009, and in which 250,000 share options are exercisable at the exercise price of HK\$0.60 per share for the period from 23 December 2000 to 24 October 2009.
3. 4,500,000 share options have been granted under the Employee Share Option Scheme of the Company which are exercisable at the exercise price of HK\$0.42 per share for the period from 25 October 2000 to 24 October 2009.

Apart from the above, no other contracts of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme. Details of share options granted to or exercised by the directors during the year and their outstanding options at 31 December 1999 are shown above. Details of the share option scheme of the Company are set out in note 20 to the financial statements.

Report of the Directors (Cont'd)

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 31 December 1999, the Company was notified that the following shareholders had an interest of 10% or more of the issued share capital of the Company:

Name	Ordinary shares held	Percentage of total issued shares capital
Goldtron Limited	128,906,172	11.12%

SHARE CAPITAL

Details of movements in the Company's share capital during the year and the purpose of the share issues are set out in note 19 to the financial statements.

PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 11 to the financial statements.

LIQUIDITY

Working capital of the Group increased from HK\$6,128,000 to HK\$101,406,000 during the year. The increase primarily represents an increase in cash and bank deposits as a result of issuance and placement of new ordinary shares during the year. Cash and bank deposits as at 31 December 1999 were HK\$99,875,000.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loans, overdrafts and other borrowings as at 31 December 1999. There was no interest capitalised by the Group during the year.

Report of the Directors (Cont'd)

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RETIREMENT BENEFITS SCHEME

Details of the Retirement Benefits Scheme are set out in note 6 to the financial statements.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT EXECUTIVES

Brief biographical details of the directors and senior management executives of the Company are set out on pages 16 to 18 under Directors and Senior Management Profile of this Annual Report.

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31 December 1999, the Group employed approximately 320 full-time employees. All full-time salaried employees except for contract employees are being paid on a monthly basis plus other staff benefits.

Neither the Company nor any of its subsidiaries has established a labour union and is not subject to any collective agreements. The Group has maintained good relationships with its employees and has not experienced any labour disputes. None of the Group's employees is represented by a labour union.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, save and except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year.

AUDIT COMMITTEE

Pursuant to the Listing Rules of the Stock Exchange, an audit committee, comprising two independent non-executive directors, namely Mr. Ngan Chor Man and Mr. Fung Che Kwong, Peter, was established in September 1999.

Report of the Directors (Cont'd)

AUDIT COMMITTEE (Cont'd)

By reference to "A guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company on the same date. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

YEAR 2000 COMPLIANCE

The Group has stated its definition and approach to Year 2000 problem, and reported the status in our 1998 annual report and 1999 interim report.

No reports on Year 2000-induced incidents have been received within the Group during the rollover to Year 2000 or the leap year date of 29 February 2000. The Company and its subsidiaries passed the rollover smoothly without need to activate any contingency procedures.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda although there are no restrictions against such rights under the laws in Bermuda.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*.

On behalf of the Board

Richard John Siemens
Chairman

Hong Kong, 19 April 2000

Directors and Senior Management Profile

Brief biographical details in respect of directors and senior management:

DIRECTORS

Mr. Richard John Siemens, 55, Chairman, joined the Group on 24 January 2000. Mr. Siemens is Chairman and a founding member of Distacom Communications Limited. He has been involved in the telecommunications industry for 26 years. Born and raised in Canada, Mr. Siemens was trained as a Chartered Accountant and came to Hong Kong in 1979. In 1984, he was involved in the establishment of Hutchison Telephone Company Limited with Hutchison Whampoa Limited ("Hutchison") and Motorola. Mr. Siemens, as Group Managing Director of Hutchison Telecommunications Limited, was also involved in the establishment of other well-known companies including AsiaSat, STAR TV and Metro Radio and Hutchison's move into the European wireless business with "Orange", as well as Hutchison's European paging strategy.

Mr. Ong Soon Kiat, 51, was firstly appointed as Chairman and Executive Director of the Group in July 1994. He was an executive director in 1999 and stepped down as Chairman of the Group in January 2000. Mr. Ong has extensive business experience in South East Asia and the People's Republic of China ("PRC").

Mr. Derrick Francis Bulawa, 36, joined the Group in September 1999 as Chief Executive Officer and was appointed on 22 October 1999 as executive director. Mr. Bulawa has 15 years of Internet and communications experience in the United States and Asia, with 10 years in Hong Kong. He is responsible for strategic development, as well as the overall executive management of the Group. Before joining the Group, he was one of the early members of Mr. Richard Li's HutchVision team that launched and founded STAR TV, serving as Vice President of Satellite & Technical Operations from 1991. He was promoted to General Manager after News Corporation bought a 63 per cent stake. Mr. Bulawa was then appointed Senior Technical Advisor of the Pacific Century Group, following the sale of the remaining 37 per cent of STAR TV to News Corporation. More recently, Mr. Bulawa was Chief Operating Officer of UNIFI Communications, an Internet-focused venture backed by Singapore Telecom which ranked Number 20 on the 'INC 500' list of fastest growing US-based companies in 1997. Prior to working for STAR TV, he spent six years working for GTE SpaceNet and Contel ASC in the Asian satellite, data and telecommunications sectors. He has a Bachelor of Science degree in Electronic Engineering Technology from the DeVry Institute of Technology in the United States.

Mr. Lim Shyang Guey, 41, was appointed as executive director and Vice-President Corporate Development on 1 October 1999. Mr. Lim is responsible for executing the Group's corporate strategy and looking after major shareholder issues. He has more than 12 years of experience in telecommunications and information technology in various countries including New Zealand, Russia, Malaysia and Singapore. Before joining

Directors and Senior Management Profile (Cont'd)

the Group, he was General Manager of Goldtron Electronics Pte Ltd in Singapore in charge of developing, manufacturing and marketing the company's proprietary telecommunications products, including pagers, GSM cellular phones and DECT cordless phones. Previously, Mr. Lim was Project Director of Goldtron Network Services Pte Ltd, also in Singapore, responsible for managing its telecommunications joint-venture operations in Russia, which provided local telephone, GSM cellular and paging services. Mr. Lim joined Goldtron Network Services Pte Ltd from Telecom New Zealand where he led projects relating to microwave and fibre optics transmission, and broadband cable TV. He has a Bachelor of Engineering and a Master of Engineering degree from the University of Auckland in New Zealand.

Mr. Mokhzani Bin Mahathir, 39, was appointed as non-executive director of the Group in 1999. Mr. Mahathir is the executive chairman of Tongkah Holdings Berhad, a publicly listed company in Malaysia and since 1993, a non-executive director of Goldtron Limited.

Mr. Peng Chian Chua, 55, was appointed as executive director in July 1994 and became a non-executive director of the Group in 1999. Mr. Peng has more than 20 years' working experience in manufacturing with various multinational companies.

Mr. Fung Che Kwong, Peter, 50, was appointed as an independent non-executive director of the Company since 1994. He is a Hong Kong based businessman with almost 20 years' experience in the textile industry.

Mr. Ngan Chor Man, 33, was appointed as an independent non-executive director of the Company since 1997. He is a Hong Kong based businessman with 6 years experience in the information technology and in PRC.

SENIOR MANAGEMENT

Mr. Kim Moon-Tae Grant, 26, joined the Group as Vice-President Business Development in September 1999. Mr. Kim has extensive experience in investment banking, telecommunications and the Internet in both the United States and Asia. He directs the strategy of new businesses and investments for the Group. His previous roles have included Vice President of Operations of UNIFI Communications ("UNIFI") where he managed the company's core Telecommunications, Network Operations, Systems Engineering, Service Fulfilment and Project Management groups. Prior to this, he was Director of Telecommunications and Business Development, where he pioneered and expanded the global data and switching businesses, working closely with some of the world's premier telecommunications carriers and Internet Service Providers. Before UNIFI, Mr. Kim worked with Pacific Century Group, Continental Development Corporation, and Singapore Telecom in various senior management and Mergers & Acquisitions advisory positions. Mr. Kim studied at the Wharton School, Harvard University and Oxford University.

Directors and Senior Management Profile (Cont'd)

Mr. Robbin Wells, 43, joined the Company in October 1999 as Vice-President Technology. Mr. Wells has more than 22 years of technology experience, having extensive experience developing IP networks across North America, Europe and Asia. He was previously Head of Technology for UNIFI Communications, a first-generation IP messaging company, where he designed and expanded its global network to more than 1000 platforms spanning 15 countries. He also served as Senior Technical Advisor to a R&D team of 120 developers focusing on IP and Internet software. Prior to UNIFI, Mr. Wells worked for Prime Computer as Principal Engineer in the Small Systems Group, one of the first companies to market products using Object Oriented Technology. During the 70's and 80's, he was Chief Engineer for W.F. Wood, a pioneer in the use of automated manufacturing technologies.

Ms. Leung Kit-Mee Judy, 36, joined the Group as Vice-President Marketing in January 2000. Ms. Leung has a wealth of experience in the telecommunications industry in Hong Kong especially as it relates to start-up operations. She is responsible for the marketing activities of the Group. Prior to joining the Group, Ms. Leung was one of the founding employees at New T&T, a Hong Kong-based telecommunications company. Throughout her tenure there, she held increasing levels of responsibility all in the marketing area. Most recently she was the Senior Manager of Marketing Promotions where she was responsible for devising promotion strategies, and developing and implementing comprehensive advertising, publicity and promotional programmes. Before New T&T, she was the Public Relations Manager at Hongkong Telecom. Ms. Leung is a graduate of the University of Aston in Birmingham, England with a Masters Degree in Business Administration.

Mr. Cheng Man-For Jeffrey, 35, joined the Company as Chief Financial Officer in October 1999. Mr. Cheng has more than 10 years finance and accountancy experience in PRC, Taiwan and Hong Kong. He is responsible for overall financial management and company secretarial duties of the Group. He was previously Director of Finance at Fax International HK Ltd. Mr. Cheng began his career with KPMG Peat Marwick before joining The Stock Exchange of Hong Kong Limited. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants (ACCA) and an associate member of the Hong Kong Institute of Company Secretaries (HKICS).

Auditors' Report

To the members

e-Kong Group Limited

(formerly known as Goldtron Holdings Limited)

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1999 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland

Chartered Accountants

Certified Public Accountants

Hong Kong, 19 April 2000

Consolidated Income Statement

For the year ended 31 December 1999

	Note	1999 HK\$'000	1998 HK\$'000
Turnover	3	45,245	54,334
Cost of sales		(23,104)	(20,833)
Gross profit		22,141	33,501
Other revenue	3	1,493	893
Distribution and selling expenses		(480)	(94)
Administrative expenses		(25,283)	(23,840)
Other operating expenses		(8,062)	(5,048)
(Loss)/Profit from operations		(10,191)	5,412
Loss on disposal of subsidiaries		(33,673)	—
Loss on disposal of a jointly controlled entity		(11,284)	—
Loss on associates written off		(4,590)	—
Provision for diminution in value of long-term investments		(15,432)	—
Provision for diminution in value of associates		—	(43,586)
Provision for long-term receivable		—	(17,149)
Loss before taxation	4	(75,170)	(55,323)
Taxation	7	(739)	(1,763)
Loss from ordinary activities after taxation		(75,909)	(57,086)
Minority interests		(2,499)	(6,469)
Net loss attributable to shareholders	8 & 21	<u>(78,408)</u>	<u>(63,555)</u>
Loss per share			
Basic	9	<u>(11.5 cents)</u>	<u>(14.3 cents)</u>

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 1999

	Note	1999 HK\$'000	1998 HK\$'000
Exchange reserve released on associates written off	21	36,250	—
Other capital reserve released on associates written off	21	(31,660)	—
Net gains not recognised in the consolidated income statement		4,590	—
Net loss for the year	21	(78,408)	(63,555)
Total recognised losses		(73,818)	(63,555)
Goodwill eliminated directly against reserves	21	(62,761)	—
		<u>(136,579)</u>	<u>(63,555)</u>

Consolidated Balance Sheet

As at 31 December 1999

ASSETS	Note	1999 HK\$'000	1998 HK\$'000
Non-current assets			
Property, plant and equipment	10	10,469	11,380
Intangible assets	12	781	—
Goodwill	13	—	33,673
Interest in a jointly controlled entity	14	—	12,484
Long-term investments	15	4,267	12,642
Investment securities	16	778	—
		<u>16,295</u>	<u>70,179</u>
Current assets			
Inventories	17	595	1,074
Trade receivables		6,888	5,343
Deposits paid		5,643	268
Prepayments and other receivables		2,751	4,341
Due from related companies		—	824
Cash and cash equivalents		99,875	3,556
		<u>115,752</u>	<u>15,406</u>
Current liabilities			
Trade payables		2,342	406
Receipts in advance		6,305	2,723
Accrued charges and other payables		5,591	5,261
Due to a shareholder	18	19	199
Taxation		89	689
		<u>14,346</u>	<u>9,278</u>
Net current assets		<u>101,406</u>	<u>6,128</u>
Total assets less current liabilities		<u>117,701</u>	<u>76,307</u>
Minority interests		<u>(12,441)</u>	<u>(10,739)</u>
NET ASSETS		<u><u>105,260</u></u>	<u><u>65,568</u></u>
CAPITAL AND RESERVES			
Issued capital	19	194,160	181,340
Reserves	21	(88,900)	(115,772)
		<u><u>105,260</u></u>	<u><u>65,568</u></u>

Approved by the Board of Directors on 19 April 2000

Richard John Siemens
Director

Derrick Francis Bulawa
Director

Balance Sheet

As at 31 December 1999

ASSETS	Note	1999 HK\$'000	1998 HK\$'000
Non-current assets			
Property, plant and equipment	10	389	476
Interests in subsidiaries	11	78,117	77,145
Investment securities	16	778	—
		<u>79,284</u>	<u>77,621</u>
Current assets			
Deposits paid		1,515	219
Prepayments and other receivables		887	3,504
Due from related companies		—	824
Cash and cash equivalents		94,016	773
		<u>96,418</u>	<u>5,320</u>
Current liabilities			
Accrued charges and other payables		1,135	2,629
Due to a shareholder	18	19	199
Due to subsidiaries		5,470	16,317
		<u>6,624</u>	<u>19,145</u>
Net current assets/(liabilities)		<u>89,794</u>	<u>(13,825)</u>
NET ASSETS		<u>169,078</u>	<u>63,796</u>
CAPITAL AND RESERVES			
Issued capital	19	194,160	181,340
Reserves	21	(25,082)	(117,544)
		<u>169,078</u>	<u>63,796</u>

Approved by the Board of Directors on 19 April 2000

Richard John Siemens
Director

Derrick Francis Bulawa
Director

Consolidated Cash Flow Statement

For the year ended 31 December 1999

	Note	1999 HK\$'000	1998 HK\$'000
Net cash outflow from operating activities	22	(7,893)	(4,112)
Returns on investments and servicing of finance			
Dividends paid to minority shareholders		(800)	(6,400)
Interest received		995	251
Income from unlisted investments		498	642
Net cash inflow/(outflow) from returns on investments and servicing of finance		693	(5,507)
Taxation			
Hong Kong Profits Tax paid		(369)	(309)
Overseas tax paid		(970)	(1,300)
Tax paid		(1,339)	(1,609)
Investing activities			
Purchase of property, plant and equipment		(1,375)	(3,102)
Purchase of intangible assets		(781)	—
Addition of long-term investments		(10,568)	(3,512)
Proceeds from sale of property, plant and equipment		—	81
Purchase of a subsidiary	24	(2,714)	(2,274)
Purchase of investment securities		(778)	—
Increase in interest in a jointly controlled entity		—	(1,200)
Net cash outflow from investing activities		(16,216)	(10,007)
Net cash outflow before financing activities		(24,755)	(21,235)
Financing	26		
Issue of ordinary shares		121,071	8,076
Capital contributed by minority shareholders		3	—
Expenses on repurchase of Company's own shares		—	(20)
Net cash inflow from financing		121,074	8,056
Increase/(Decrease) in cash and cash equivalents		96,319	(13,179)
Cash and cash equivalents at 1 January 1999		3,556	16,735
Cash and cash equivalents at 31 December 1999		99,875	3,556
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		99,875	3,556